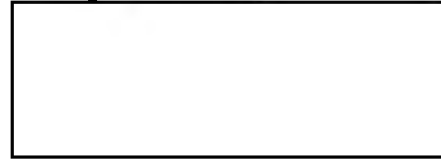


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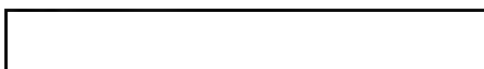
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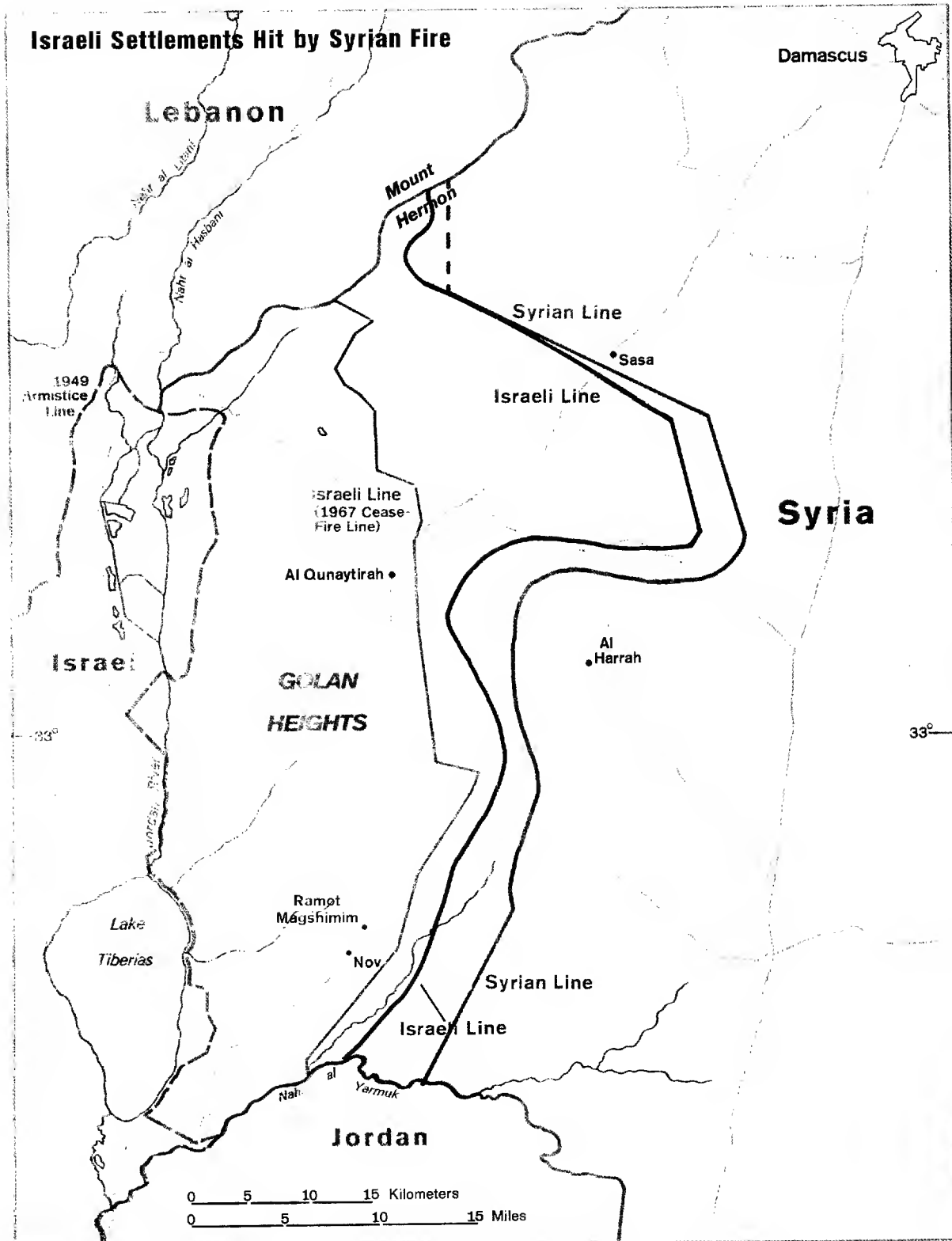
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ISRAEL-SYRIA: Tel Aviv gave wide publicity yesterday to its reinforcement of the Golan front as the Syrians and Israelis exchanged mortar, tank, and artillery fire for the 22nd consecutive day. The Israeli move apparently was designed to warn Damascus against any renewal of offensive action and to reassure the home front of Israel's military preparedness.

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According to an Israeli spokesman, Syrian shells struck two Israeli civilian settlements--Ramot Magshimim and Nov--causing some damage but no casualties. Syrian shelling of civilian targets will heighten pressure within Israel to strike back harder at targets in Syria. The Israeli press, while continuing to praise the "great restraint" shown by Israel's forces in the face of "the Syrian provocations," is viewing the escalating situation on the northern front with alarm.

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Damascus, whose forces are in a position to launch an attack with little or no warning, apparently believes it must maintain military pressure on the Golan front to support its negotiating aims. Israel views this pressure as a military threat, however

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One result of this prolonged period of growing tension has been that the chances of miscalculation by both sides have increased, and that a minor incident might lead to a major outbreak of fighting.

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*ISRAEL: The preliminary report issued late yesterday by the five-member Agranat Commission, which investigated Israeli shortcomings connected with the October war, praised Prime Minister Meir for doing in a responsible manner everything she could. It also cleared Defense Minister Dayan of direct responsibility, in view of the advice and information given him by Chief of Staff Elazar and intelligence chief Zeira.

Elazar, while rejecting the commission's accusations, promptly announced his resignation, which has been accepted by the cabinet. The others named will probably follow suit.

Placing the blame squarely on the military, the preliminary report recommended that Elazar and Major General Gonen, commander of the Egyptian front at the start of the war, be suspended from active duty pending the commission's final report, which is expected late this month or early next. The report further recommended removing General Zeira as intelligence chief and dismissing other senior military intelligence officers, including Brigadier General Shalev, Zeira's deputy for estimates.

The report will only partially mollify the government's critics, who are likely to charge the commission with turning a blind eye to the larger question of fixing political responsibility for the October failings. The opposition may also criticize the commission for seemingly making a scapegoat of the military, which may itself react bitterly to the report.

*Because of the shortage of time for preparation of this item, the analytic interpretation presented here has been produced by the Central Intelligence Agency without the participation of the Bureau of Intelligence and Research, Department of State.

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FRANCE: The first round of elections to select a successor to deceased French President Pompidou will be held on April 28 or May 5--earlier than either the Gaullists or their leftist rivals would have preferred. Liberal Gaullist and former prime minister Jacques Chaban-Delmas, 58, and Socialist Francois Mitterrand, 57, will be the main contenders, but a number of others will declare themselves candidates.

The Communists, Socialists, and left Radicals had hoped an election would not occur until at least next year. They wanted more time to develop an image of international statesman for their leader, Socialist Francois Mitterrand, and to exploit popular dissatisfaction with the government's failure to resolve the country's economic problems.

The leaders of the alliance are still not agreed on how to present their candidates. The Communists want Mitterrand to run as the sole leftist candidate; they fear one of their own would do poorly, exposing the party's weakened position. Mitterrand, however, wants his allies to field candidates so he can run on a moderate, Socialist platform, rather than be associated with the more extreme portions of the alliance program. He is gambling that he will win enough votes on the first round to make the second round, where he hopes to prevail with the additional support of the Communist electorate.

The governing coalition--Gaullists, Independent Republicans, and a small centrist group--is also in disarray. One of their major problems is that Giscard d'Estaing, the leader of the Independent Republicans, may choose to break coalition unity and run in the first round. Giscard, 47, was thought to be Pompidou's favorite, but faces serious opposition from orthodox Gaullists. Giscard is also hampered by his patrician image and his associations with France's economic woes as Pompidou's economics and finance minister.

(continued)

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Other first round challenges could also come from:

--Pierre Messmer, 58, the lack-lustre, orthodox Gaullist prime minister. Some reports indicated that Pompidou had decided to support him because he thought Gaullist approval of Giscard's candidacy was remote.

--Jean Lecanuet, 53, leader of one of the two center union factions. He won 16 percent of the first ballot vote in 1965 against de Gaulle. He may run to avoid having to associate himself prematurely with one of the front runners.

--Edgar Faure, 65, the leader of the left wing Gaullists and president of the National Assembly. He sees himself as a compromise candidate on the right.

--Alain Poher, 64, the centrist who will act as interim president. In 1969, when he acted in that capacity after de Gaulle's resignation, Poher won 42 percent of the second round vote against Pompidou.

Although Foreign Minister Michel Jobert is now receiving considerable publicity from his aggressive foreign policy tactics, the absence of a political base--he is not a member of any party--makes him an unlikely candidate.

Under the present system, no president has been elected in the first round. In view of the many likely candidates, this election probably will not be an exception. Middle-of-the-road and uncommitted voters make up some 30 percent of the French electorate and hold the key to the presidential election.

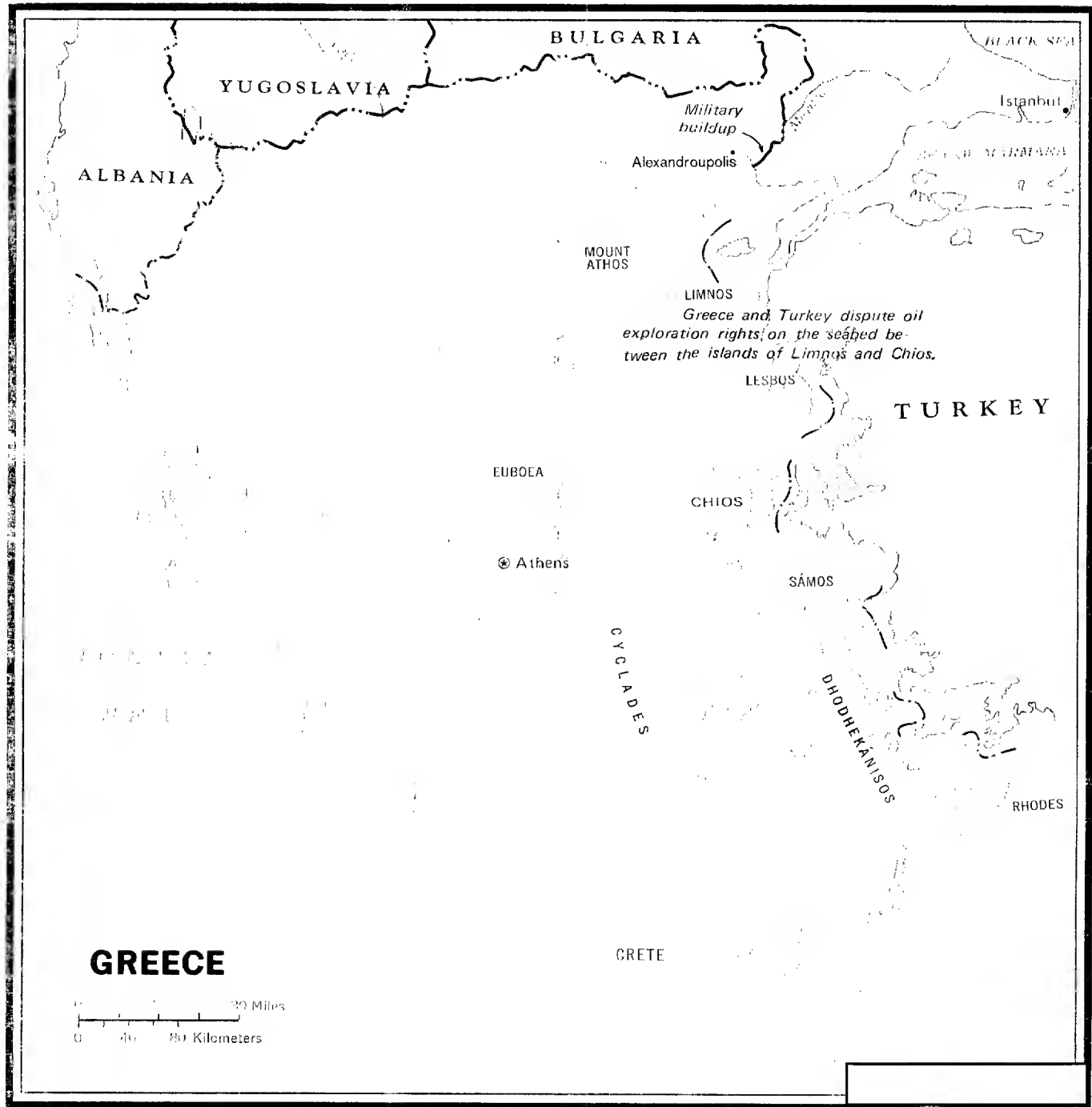
The law allows the top candidates to withdraw in favor of one of the first ballot losers. This happens most often when a loser is thought more likely to draw wider second ballot support. On the second ballot, a simple majority elects.

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GREECE: The US Embassy in Athens has confirmed a build-up of Greek military personnel and equipment on the Turkish frontier. The military activity appears to be of a contingency nature, designed to convince the Turks that Greek claims to oil-exploration rights in the Aegean Sea must be taken seriously. The junta in Athens may also be deliberately fanning the controversy as a diversion from domestic problems and as a means of fostering unity within the army.

Prospects of extensive oil resources in the Aegean have led to a controversy between Greece and Turkey over exploration rights in the vicinity of Greek islands. The two countries have put forth conflicting claims to the underlying continental shelf, and Greece has threatened to extend its territorial limits from the present 6 to 12 miles from all Greek territory, including islands. Notes were exchanged last month on the controversy, but Athens has apparently not yet agreed to negotiate the dispute. According to Turkish press reports, Turkey's national petroleum corporation plans to begin searching for oil in the disputed area in June.

Many of the recent press rumors about Greek military movements in northern Greece and the northern Aegean have been exaggerated, but there have been an unusual number of visits to the area by high-level military leaders. On a recent trip along the frontier with Turkey, a US official observed the passage of a large number of military vehicles; he also noted that normally quiet military vehicle parks were full and busy. Greek military authorities in the area played down the activity, saying that troop and radio contacts with facing Turkish units were normal.

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CHINA-CAMBODIA: Premier Chou En-lai's remarks at a banquet in Peking on April 1 for visiting Khmer Communist leader Khieu Samphan were couched in relatively militant terms, but they do not reflect any real change in Peking's policies toward Cambodia and the rest of Southeast Asia. Chou's reiteration of Chinese support for revolutionary struggles and his citation of recent revolutionary "successes" indicate continuing concern about his vulnerability to criticism from "leftists" at home.

In his speech, Chou was especially critical of the detente between the US and the Soviet Union, and contended that "revolutionary people" everywhere do not believe in "lasting peace" or "a generation of peace." He predicted that the world would "continue to advance amid violent turbulence."

The concept of rivalry between Moscow and Washington resulting in world turmoil is not a new theme for Peking. It has been used before as part of Peking's argument that China sides with weak countries against the two superpowers. A "turbulent" situation is also seen by Peking as one which can be exploited by "progressive" countries and groups.

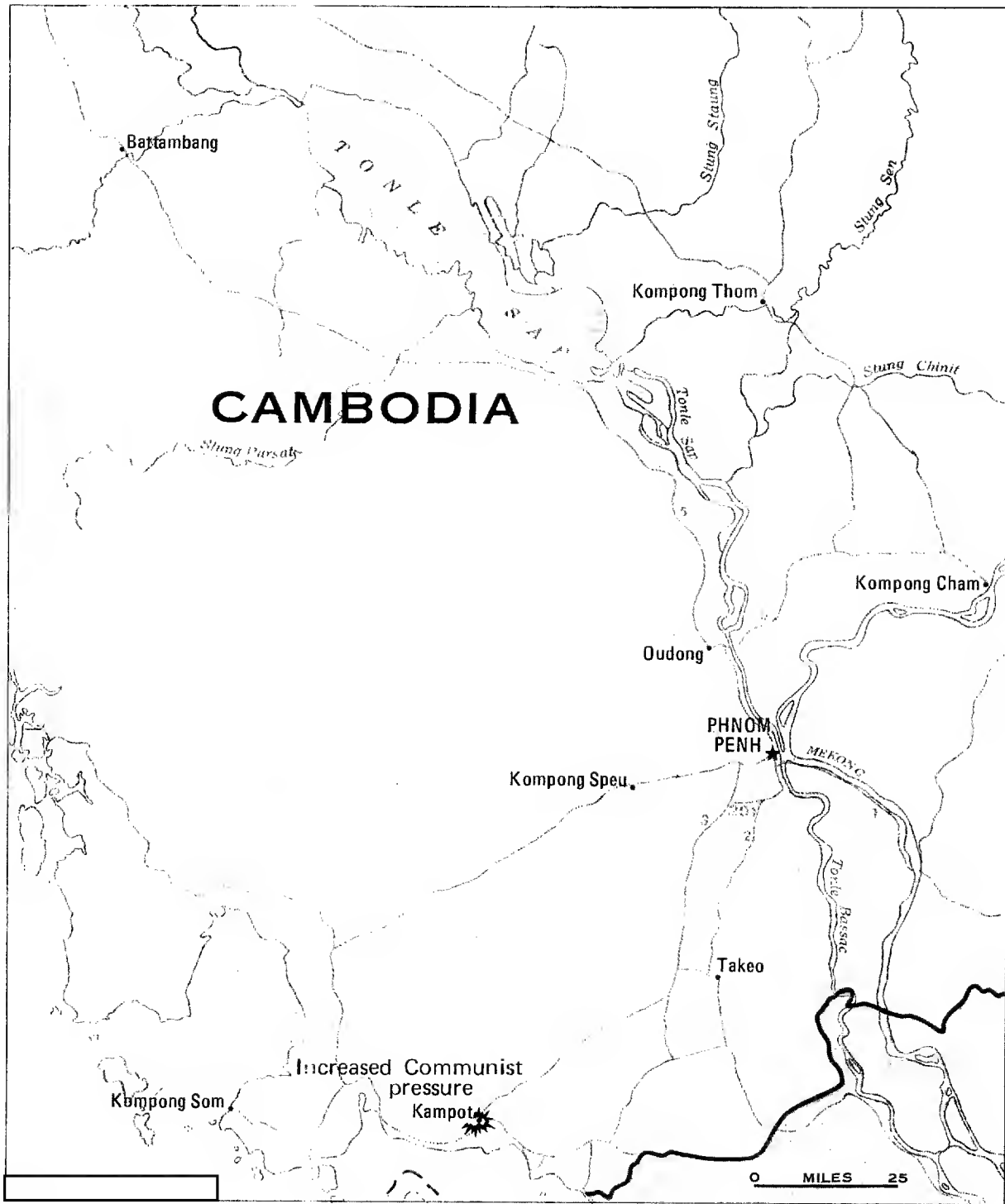
From the Khmer Communist point of view, a primary purpose of Samphan's appearance in Peking and in Hanoi last week has been to emphasize to the world that the Khmer Communists must be reckoned with politically before the fighting can end in Cambodia. Samphan's trip has indeed served to identify Peking more closely with the Khmer Communist leadership. The warm reception and prominence accorded Samphan may also raise some questions concerning the political future of Sihanouk, whose return to power the Chinese have long proposed as part of a solution in Cambodia.

On the prospects for a negotiated settlement, Chou's remarks reflected the cautionary tone that has characterized Peking's statements on the Cambodian problem over the past year. Although Chou made

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no reference to peace proposals, he did imply approval of a negotiated settlement in Cambodia by citing as "victories" the Paris and Vientiane cease-fire agreements.

In contrast, Samphan denounced the US and its "lackeys" for alleged espousal of "sham cease-fire, sham talks, and sham peace." He reiterated the strong Khmer Communist line against any compromise or negotiated settlement of the war, contending that the Khmer Communists wanted a "genuine peace," not one which would allow the Phnom Penh government to "recuperate and strengthen its forces" in order to resume the attack. [REDACTED]

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CAMBODIA: The situation continues to worsen at the southwestern provincial capital of Kampot.

The city remained under heavy Khmer Communist attack yesterday. Insurgent forces just west of Kampot and around the airstrip to the northwest are posing a serious threat to government positions in those areas. Sharp fighting is also continuing along the city's eastern perimeter.

Although the government has superior troop strength and firepower at Kampot, the new commander there has been demanding additional reinforcements, ammunition, and air support before he will take offensive action. Military leaders in Phnom Penh are contemplating sending more reinforcements, but any undue delay in the arrival of such support would probably cause troop morale at Kampot--which is already low--to disintegrate further.



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CHINA: Against the backdrop of domestic political strife, Peking's decision to send Politburo member Teng Hsiao-ping to the UN this week strongly suggests that Premier Chou En-lai retains a strong hand in his struggle with Mao's radical wife, Chiang Ching.

Although Chou and Teng were rivals in the past and still may have their differences, Teng is certainly more likely to side with Chou in the current political struggle than with the radicals, led by Madame Mao, who ousted him during the Cultural Revolution and apparently still resent his return.

Teng's rehabilitation last year was--and still is--a highly controversial issue. His return was reportedly supported by Mao and probably by Chou, but there is evidence that Madame Mao strongly opposed it. She was conspicuously absent from the banquet at which Teng made his initial reappearance.

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[REDACTED]

[REDACTED] She did not appear with Teng for several months after his return.

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More recently, a Western news agency reported that a leftist document written in 1968 has reappeared in Peking. The document takes an indirect swipe at Teng and attacks another high-ranking official who has since been rehabilitated. The document may have been redistributed as a counterattack by Chiang Ching, well after the fact, against the rehabilitation policy promoted by Chou.

Although the reappearance of this document may be interpreted to mean that Teng Hsiao-ping is once again in trouble, his attendance at the UN is likely to convey an entirely different message. Heading the UN delegation is, of course, a feather in his cap. Moreover, by sending such a high-ranking official, Peking seems to be reaffirming its intention to remain active on the international scene. This contrasts with speculation in the Western press that

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the active role of the radicals in the current domestic turmoil might draw China back into the isolationism that prevailed during the Cultural Revolution. Because Teng was a major figure prior to the Cultural Revolution, his presence at the UN may also be a signal to the outside world that China is not slipping into another Cultural Revolution.

Teng's new role will probably fuel speculation that he is being groomed to replace Chou En-lai as Premier, with Chou moving up to the long-vacant position of head of state. The question of whether there should even be a state chairman is a controversial one, however, and Peking's most recent pronouncement on the subject implied that the post would be abolished. Chou is likely in any case to steer clear of accepting the position. The two men who preceded him as number two in the party are now in disgrace, charged, among other things, with coveting the state chairmanship.

A more likely possibility is that Teng will emerge in his old job as ranking deputy premier. He has already taken some of the load off Chou's shoulders in recent months.

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SOUTH VIETNAM: The recent increase in combat action in Military Region 3 probably represents a Communist effort to regain the initiative there. Much of the Communist force in this area is now engaged in coordinated attacks against government positions and in diversionary pressure elsewhere in the region.

Some of the heaviest fighting is in Duc Hue District of Hau Nghia Province--a district in the middle of a major infiltration corridor connecting the delta to support lines running along the South Vietnamese - Cambodian border. In late March a regiment of the North Vietnamese 5th Division moved into Duc Hue and attempted to drive government Rangers from the infiltration corridor. Fighting was sharp for over two days before easing. The Rangers have now been reinforced, and a mobile group from the ARVN 25th Division has moved back through the area without incident.

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At the same time the Communists were attacking in Duc Hue, they sharply increased their pressure on several other government positions northwest of Saigon. Lt. Gen. Thuan, MR 3 commander, believes this may be the opening of a combined campaign to isolate Tay Ninh Province from the surrounding provinces. Such a plan would be grandiose, in view of present Communist military capabilities in this area, but Thuan is taking precautions and has ordered his forces to keep the Communists on the defensive. He appears optimistic that recent government operations have weakened the enemy and caused the Communists to change their plans.

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GRENADA: The Seamen and Dockworkers Union has ended its three-month strike in exchange for a promise by Prime Minister Eric Gairy to disband his secret police and resume the inquiry into charges of police brutality. Cargo will not start arriving on the island until this weekend, by which time the strikers hope to have some indication whether Gairy intends to keep his promise. Basic economic problems will persist, however, and the potential for renewed violence remains high.

The union actually received nothing more than the assurances Gairy gave last December and then refused to honor. The strike, called to force his compliance, has so weakened the economy that Gairy--with a bankrupt government--may have to follow through this time. If he does not, there may be a new walk-out, augmented by unpaid teachers and civil servants.

The past four months of disorder and economic stagnation may have breathed new life into the dormant opposition Grenada National Party. Many Grenadians--including most businessmen--who do not feel comfortable allied with the more radical New Jewel Movement may now look to the Grenada National Party as the best alternative to Gairy.

Gairy, however, is not required to call elections for three years. With a strong majority in the island Parliament, he is not likely to be forced into early elections by a vote of "no confidence" unless renewed disorder or a prolonged economic pinch causes many of his own party to "cross the aisle." [REDACTED]

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UK: The Labor government is moving to head off pressure by the party's left wing to force the government to make the large reductions in defense spending that had been promised in the party's election manifesto.

Defense Secretary Mason, in a speech on March 29, outlined the difficulties of making quick cuts in the defense budget beyond the \$115 million announced by the government earlier in the week. Mason stressed that:

--increases in pay and allowances and costs of equipment were rising at an alarming rate because of inflation. For example, the cost of aviation fuel had risen by 200 percent.

--each new generation of weapons is more sophisticated and expensive.

--equipment cuts would be the most likely way to save in the short term; however, three industries--aerospace, shipbuilding, and electronics--depend on defense spending for one fifth of their production.

--consultations with the allies are necessary if the government plans major changes, and this is a complex matter. In addition to its NATO commitments, the UK also has responsibilities in other parts of the world and to British overseas territories.

--troop pay must be consistent with the dangers faced, particularly in Northern Ireland.

Mason said that his review of defense expenditures would be conducted "calmly and rationally" and that he would announce his decision later this year.

A Ministry of Defense policy-planning official stated earlier this month that the new government plans to review long-range defense spending for the

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1977-83 period. The review, in ascending order of importance, will begin with a study of UK commitments in the Pacific, the Middle East and Mediterranean, and finally NATO and the UK itself. After the study is completed, probably in early summer, the allies, especially the US, will be consulted. A white paper will be published late this year.

The official emphasized that this measured approach does not mean that the British defense effort will be maintained at current levels. He anticipated that the review will force the government to make some hard decisions to reduce commitments, particularly outside NATO. [REDACTED]

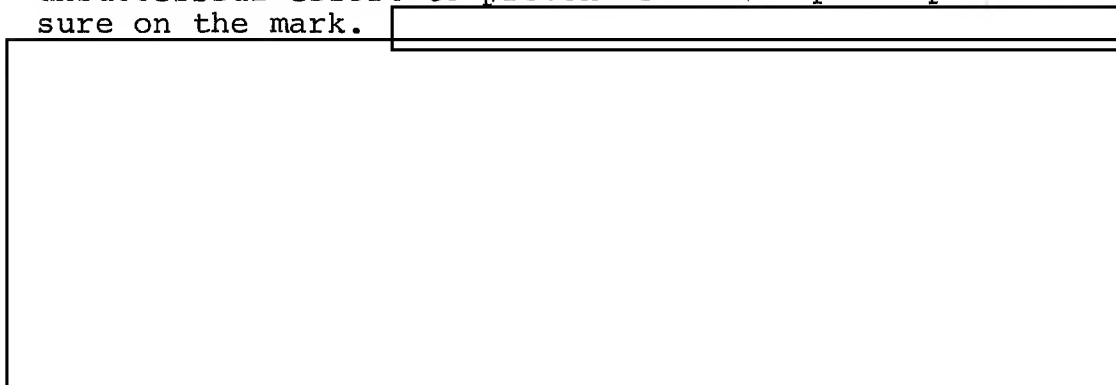
FOR THE RECORD



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West Germany: Bonn officially announced yesterday a monthly record trade surplus of \$1.8 billion for February--despite sharply higher oil prices. This compares with the previous record surplus of \$1.6 billion in October 1973. Bonn apparently delayed its announcement for nearly two weeks in an unsuccessful effort to prevent further upward pressure on the mark.

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